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SUBJECT: VIETNAM AG EXPORTS TO IRAQ

REF: (A) Hanoi 00829
(B) Hanoi 01766
(C) Hanoi 2240

1. This is an action request -- see Paragraph 10.

2. SUMMARY: As noted in Reftels, Vietnam is very interested in continuing its agricultural exports to Iraq under the Oil-for-Food (OFF) program, and whatever replaces the OFF program. Vietnamese contacts, ranging from the Prime Minister to various state-owned companies, have contacted Post requesting support and guidance. Post also requests confirmation that two Iraqi-Vietnam joint ventures in Vietnam have been authorized to proceed. END SUMMARY.

3. Over the past five years, Iraq has become a very important market for Vietnam. In 2002, Vietnam exported more than \$800 million of ag commodities to Iraq, including 871,000 mt of rice, about 60,000 mt of milk powder, and 15,000 mt of tea. Ref c noted Prime Minister's request to Ambassador on September 1 for a quick resumption of tea exports, a theme also elaborated by Vietnamese Ambassador to Iraq on September 4 (septel).

4. RICE: Vietnam Northern Food Corporation (Vinafood 1) invited Agatt and AgSpec to a meeting on August 27 to discuss their concerns regarding a new shipment of rice to Iraq. Vinafood said the June 2003 rice shipments (Ref a) under OFF's Phase 12 round were successfully completed, and that it had recently signed a contract to supply 60,000 metric tons of rice under OFF's Phase 13. However, Vinafood is concerned that it was not clear which agency (UN or private sector) would be inspecting and documenting arrival of the rice at the Umm Qasr port. (As noted in REF A, that was also a concern with the earlier shipment.) Vinafood said COTECNA, a private sector inspection company, handled the inspection duties for the June shipment.

5. MORE RICE: In addition to the 60,000 metric tons that was recently reconfirmed, Vietnam had an old contract to supply 250,000 metric tons of rice to Iraq (Ref a). Vinafood asked if the OFF program would be requesting the remaining 190,000 metric tons.

6. SUGAR / BAGS: Before the war, Vinafood signed contracts to supply 10,000 metric tons of sugar and thousands of plastic bags to Iraq. Those items are now warehoused, waiting for further shipping instructions.

7. AFTER OFF?: Vinafood also requested information on how Iraqi food imports would be handled following the end of the OFF program. Officials expressed a hope that the Iraqi ag market would be open to all suppliers.

8. JOINT-VENTURES: In August 2001, Vietnam (Vinafood 1) and Iraq (Iraqi Grain Board) announced an agreement to establish a rice processing joint venture company in Can Tho province. The rice mill would have an annual capacity of 200,000 metric tons, with the goal of producing high-quality rice for export to Iraq. The joint venture was proposed to last for 50 years, and have a total investment capital of \$12 million (\$6.6 million from Iraq and \$5.4 million from Vietnam). In 2002, the Vietnamese government (Ministry of Planning and Investment and the Office of the Prime Minister - standard practice for projects over \$10 million) approved the project. Another joint venture in Phu Tho province, handles tea processing; MFA officials told Ambassador that this project was funded under repayment of Vietnamese debts to Iraq and had been re-approved by the CPA (septel).

9. PROCEED?: According to Vinafood, the rice milling project was similarly authorized to proceed at a June meeting in Jordan with "Dr. Yusef," formerly of the Iraqi Grain Board and now a Ministry of Trade

official. (Vietnamese Ambassador to Iraq Khai separately told Ambassador September 4 that Ambassador Robin Raphel had approved this project continuation "two months ago.") Vinafood officials said land for the rice mill had been allocated, and the next step would be to buy milling equipment via an open and international tendering process. Equipment bids, from international suppliers, are due on September 16. The mill is expected to open in August 2004. Vinafood officials noted that the Iraqi funds to buy the equipment were already deposited in a Vietnamese bank account.

10: Action request: Please clarify issues regarding Phase 13 shipments, Iraq's food import tendering system, and the validity of the Iraqi-Vietnamese joint-ventures.

BURGHARDT